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# CIA didn't set up Rewald firm, officer testifies

Special to The Journal

Honolulu, Hawaii — If the CIA intended for Ronald Rewald to set up and staff a cover corporation, it would have conducted a full background check on him, a CIA security officer testified here Wednesday.

Rewald claims that his company — Bishop, Baldwin, Rewald, Dillingham & Wong — was a CIA proprietary, or a company set up solely for use by the agency.

He is on trial on fraud and perjury charges in connection with the loss of millions of dollars invested in his investment firm.

The CIA maintains that Rewald provided only "light cover" for a number of agents by providing telephone and Telex "backstopping."

Mitchell Lawrence of the CIA security clearance division testified that Rewald was cleared to provide backstopping despite an FBI check that turned up a securities violation conviction against Rewald in Wisconsin.

Lawrence testified that, in 1979 there had been an urgent need for backstopping for a CIA operation and so an extensive background check on Rewald had been waived.

He said it was a case of "low risk, high gain" in using Rewald.

Nevertheless, Lawrence wrote in an internal CIA memorandum that he thought it was "unsound to proceed" with Rewald as a cover source and suggested that Rewald's conviction on selling an unregistered franchise might "only be the tip of the iceberg."

After receiving a glowing recommendation of Rewald by CIA Honolulu chief Jack Kindschi, now of

Madison, however, Lawrence decided to clear Rewald.

The clearance allowed Rewald to receive secret information and use his company, CMI Corp., as a cover for Charles Richardson, a covert CIA agent operating from the West Coast.

He also said that Rewald, under the clearance approved, had no power to "sign up" people as CIA agents.